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Russia Begins Wheat Futures Trade 2008

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Report Highlights:

On April 9, 2008 Russia began trading wheat futures on the Russian National Commodity (Mercantile) Exchange (NAMEX). Initial trade volume has not been robust. However, Russian authorities and traders consider this an important step forward in increasing transparency in Russia's grain market, protecting market participants from sharp price fluctuations, and helping form price targets for grain producers.

Includes PSD Changes: No
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Trade Report
Moscow [RS1]
[RS]

Executive Summary

On April 9, 2008 Russia began trading wheat futures on the Russian National Commodity (Mercantile) Exchange (NAMEX). Initial trade volume has not been robust. However, Russian authorities and traders consider this an important step forward in increasing transparency in Russia's grain market, protecting market participants from sharp price fluctuations, and helping form price targets for grain producers.

Wheat Futures Trading Begins on Russian Commodity Exchange

On April 9, 2008, Russia began trading wheat futures on the Russian National Commodity (Mercantile) Exchange (NAMEX). This is not the first attempt to begin trading grain futures in Russia, as several others have failed. However, given that Russian grain production and grain exports are growing, and that grain traders have become more accustomed to international markets, this attempt may have better results. In 2006 and 2007, domestic grain prices closely mirrored price changes in international markets. The concept of Russian futures trading received robust support from grain traders and the Russian Grain Union. The project is also supported by the Russian Federation's Ministry of Agriculture, which hopes that futures trading will help form price targets for farmers, protect market participants from sharp price fluctuations, and help grain processors better plan financially for grain purchases. Krasnodar kray, one of the major wheat producing regions, is also one of the initiators of futures trading.

Trade will be organized through the Moscow Interbank Currency Exchange (MICEX), which has a developed infrastructure and experience in futures trading. The following wheat futures contracts will be traded at the NAMEX:

- wheat on FOB terms (port Novorossiysk), delivery in July, September, November 2008, contract size – 65 metric tons;
- soft milling wheat 3rd class on EXW¹ terms, elevators in the Southern Federal District, delivery in July, September, November 2008, contract size – 60 metric tons;
- soft milling wheat, 4th class, EXW terms, elevators in the Southern Federal District, delivery in July, September, November 2008.

As of April 1, 2008, 32 elevators in the Southern Federal District were accredited by NAMEX to offer standard grain contracts, including 14 elevators in Krasnodar kray, 8 elevators in Rostov oblast, and 8 elevators in Stavropol kray.

Trade organizers hope that grain consumers and traders from Russia, Ukraine and Kazakhstan will participate in the trade. More than 50 contracts were traded during the first two days of business. However, the total value was not significant, with 11.3 million rubles (US\$481, 000) on April 9 and approximately 15.9 million rubles (US\$677,000) on April 10. According to mass media, the price of wheat ranged from 6,300 rubles (US\$268) to 6,900 rubles (US\$294) per metric ton for July on EXW terms and was approximately 5,400 to 5,500 rubles (US\$230-234) per metric ton for September on EXW terms.

According to Agricultural Minister Gordeyev, contract prices on the first day of trade were 15-20 percent lower than the present market price for the same types of wheat. Futures trading followed the beginning of wheat spots trading on the Moscow Stock Exchange (April 7, 2008), where wheat spots (contracts with immediate delivery) were sold at 9,740 rubles (US\$414) per metric ton. However, trade volumes were very small.

Detailed information concerning wheat futures trading is available on the website of the Russian National Commodity Exchange: <http://www.namex.org/purchase07/>

¹ EXW – Franco-elevator

Relevant reports

RS8024 Grain and Feed / Annual 2008

<http://www.fas.usda.gov/gainfiles/200804/146294162.pdf>

RS8013 Grain and Feed / March Monthly Update

<http://www.fas.usda.gov/gainfiles/200802/146293784.pdf>